

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-07 LAB-04
NSAE-00 SIL-01 AID-05 FRB-03 USIA-06 TRSE-00 XMB-02
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E.O. 11652: N/A
TAGS: ELAB, ECON, PINS, IL
SUBJECT: AS GOI EXTENDS WAGE INCREASES TO ALL PUBLIC SERVANTS,
STRIKE THREATS RECEDE, BUT ECONOMIC PACKAGE DEAL COLLAPSES

REF: (A) TEL AVIV 1267, (B) TEL AVIV 1231

SUMMARY: THREATS OF MAJOR PUBLIC SECTOR STRIKES WERE
ISSUED AT THE TIME OF THE LABOR PARTY CONGRESS. HOWEVER,
THE GOVERNMENT QUICKLY CAPITULATED AND PROMISED CONCESSIONS
TO ALL WHO HAD NOT YET RECEIVED WAGE INCREASES. ONE
IMMEDIATE RESULT WAS THE COLLAPSE OF THE PENDING WAGE-
PRICE LEGISLATION. ANOTHER WAS THE POSSIBILITY THAT
WORKERS IN THE INDUSTRIAL SECTOR MIGHT DEMAND A NEW ROUND
OF WAGE NEGOTIATIONS. CONSEQUENTLY THE 1976-77 WAGE
AGREEMENTS IN BOTH THE PUBLIC AND PRIVATE SECTOR MAY
BECOME DEAD LETTERS. THE GOVERNMENT FOR ITS PART, IS
TRYING, NOT VERY CONVINCINGLY, TO MINIMIZE CONCERN OVER
THE POTENTIAL INFLATIONARY IMPACT OF THESE CONCESSIONS.
END OF SUMMARY

1. EVEN BEFORE THE LABOR PARTY CONGRESS HAD ENDED
ON FEBRUARY 25, THE GOVERNMENT FACED ANOTHER MASSIVE
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STRIKE THREAT. SOME 140,000 PUBLIC SERVANTS, INCLUDING
CLERKS, GENERAL CIVIL SERVANTS AND OTHERS. BROAD-

CASTING TECHNICIANS, THREATENED TO STRIKE FEBRUARY 26
UNLESS THEY RECEIVED THE SAME BENEFITS ACCORDED
TO THE ENGINEERS, PROFESSIONAL WORKERS, AND SEMI-PROFESSIONAL
TECHNICIANS. HOSPITAL DOCTORS JOINED IN THE STRIKE

CALL BECAUSE THEY HAD NOT YET RECEIVED PAYMENT OF THE WAGE INCREASE GRANTED THEM TWO MONTHS EARLIER (REFTELS A, B).

2. AS LONG AS THE EXCITEMENT OF THE LABOR PARTY CONVENTION CONTINUED, MOST HISTADRUT LEADERS AND GOVERNMENT OFFICIALS WERE TOO PREOCCUPIED TO DEAL WITH THE DEMANDS OF THESE OTHER GROUPS. THUS A MAJOR TIE-UP OF PUBLIC SERVICES SEEMED ONCE MORE IMMINENT. HOWEVER, AS SOON AS THE CONVENTION ENDED, THE CIVIL SERVICE COMMISSION AND HISTADRUT ENTERED INTO MARATHON NEGOTIATIONS WITH THE UNION REPRESENTATIVES AND BY LATE EVENING OF FEB 27 COMPARABLE INCREASES WERE ANNOUNCED FOR ALL THOSE WHO HAD NOT YET BEEN COVERED BY PRIOR WAGE CONCESSIONS. THERE ARE STILL A FEW GROUPS WHICH HAVE NOT YET NEGOTIATED NEW INCREASES, SUCH AS THE TEACHERS, BUT THEIR WAGE ADJUSTMENTS ARE EXPECTED WITHIN A FEW DAYS.

3. UNDER THE LATEST CONCESSION ONLY THE LOWEST CLERICAL WORKERS WILL NOT RECEIVE SPECIAL ADDITIONAL INCREASES. ALL OTHERS WILL BE GRANTED WAGE ADJUSTMENTS OF IL 80 TO IL 850 PER MONTHS DEPENDING ON GRADE. THE WAGE INCREASES WILL BE RETROACTIVE TO APRIL 1, 1976. THUS, FOR THE TIME BEING, BASIC LINKAGE OF SALARY SCALES AMONG THE VARIOUS PROFESSIONAL AND CLERICAL GROUPS IN THE PUBLIC SERVICE WILL BE PRESERVED.

4. THE TOTAL ADDITIONAL COST TO THE GOVERNMENT WAGE LIMITED OFFICIAL USE

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BILL COVERING 250,000 EMPLOYEES IN THE PUBLIC SERVICES IS ESTIMATED AT IL 2 BILLION. HOWEVER, CONSIDERING HIGHER TAX REVENUES AND PAYMENTS TO SOCIAL INSURANCE AND PENSION FUNDS, ACTUAL ADDITIONAL PURCHASING POWER IS ESTIMATED AT IL 1 BILLION, WHILE TREASURY SPOKESMEN ARE STATING PUBLICLY THAT WAGE INCREASES WILL HAVE ONLY LIMITED IMPACT ON THE INFLATION RATE, PRIVATELY THEY CONCEDE THAT THE IMPACT MAY BE SERIOUS INDEED.

5. ALMOST EVERYONE WILL RECEIVE, IN ADDITION TO A PAY INCREASE, A SUBSTANTIAL LUMP SUM BACK PAY AMOUNT AS SOON AS THE EMPLOYEES OF THE GOVERNMENT COMPUTER CENTER RESUME NORMAL WORK AND PREPARE THE MARCH PAYROLL. APRIL 1 COST OF LIVING ADJUSTMENTS PROVIDING FOR COMPENSATION OF 70 PERCENT OF INFLATION DURING PRIOR SIX MONTHS WILL BE APPLIED TO NEW WAGE SCALES.

6. THE FIRST VICTIM OF THE GOVERNMENT CAPITULATION TO PUBLIC SERVICE UNION PRESSURE WAS THE WAGE-PRICE-

TAX FREEZE ECONOMIC PACKAGE DEAL LEGISLATION PENDING BEFORE THE KNESSET. NATIONAL RELIGIOUS PARTY SUPPORT, WHICH MIGHT HAVE ASSURED A NARROW MAJORITY FOR THE MEASURE, WAS WITHDRAWN, AND THE "PACKAGE" NOW SEEMS DEAD. ANOTHER POSSIBLE CONSEQUENCE MAY BE GROWING UNCREST AND NEW WAGE DEMANDS BY INDUSTRIAL WORKERS, WHO HAD BEEN PROMISED THAT THEY WOULD RECEIVE MORE FAVORED WAGE TREATMENT IN THE 1976-1977 COLLECTIVE AGREEMENT AS A MEANS OF ATTRACTING WORKERS FROM THE PUBLIC SERVICE SECTOR TO INDUSTRY. THUS THE 1976-77 WAGE CONTRACTS IN BOTH PUBLIC AND PRIVATE SECTORS SEEM NOW DEAD LETTERS.

7. COMMENT: A SIGNIFICANT DECLINE OF REAL EARNINGS IN THE PUBLIC SECTOR DURING THE LAST TWO YEARS, WHILE WAGES IN THE PRIVATE SECTOR CONTINUED TO INCREASE WELL BEYOND THE INFLATION RATE, AND THE UNREALISTICALLY LIMITED OFFICIAL USE

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NARROW RANGE OF PUBLIC SERVICE SALARIES BETWEEN PROFESSIONAL AND NON-PROFESSIONAL EMPLOYEES HAD BUILT UP PRESSURES AND FRUSTRATIONS IN THIS SECTOR. THE SITUATION WAS WORSENER BY THE ELECTION CAMPAIGN ATMOSPHERE AND THE WEAKNESS OF THE CARETAKER GOVERNMENT. THE GOVERNMENT'S HANDLING OF THIS RECENT WAVE OF WAGE DEMANDS AND THE IMPACT ON INFLATION WILL BE VERY HARD TO EXPLAIN TO VOTERS IN BOTH THE MAY 17 KNESSET ELECTIONS AND THE JUNE 21 HISTADRUT ELECTIONS.
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